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IN THE

Supreme Court of the United States

October Term, 1946

No. 680

CHAMPION SPARK PLUG COMPANY,
A CORPORATION,

Petitioner,

vs.

PETER SANDERS, SAMUEL SANDERS AND HARRY SANDERS,
DOING BUSINESS AS THE PERFECT RECONDITION
SPARK PLUG COMPANY,

Respondents.

PETITIONER'S REPLY BRIEF

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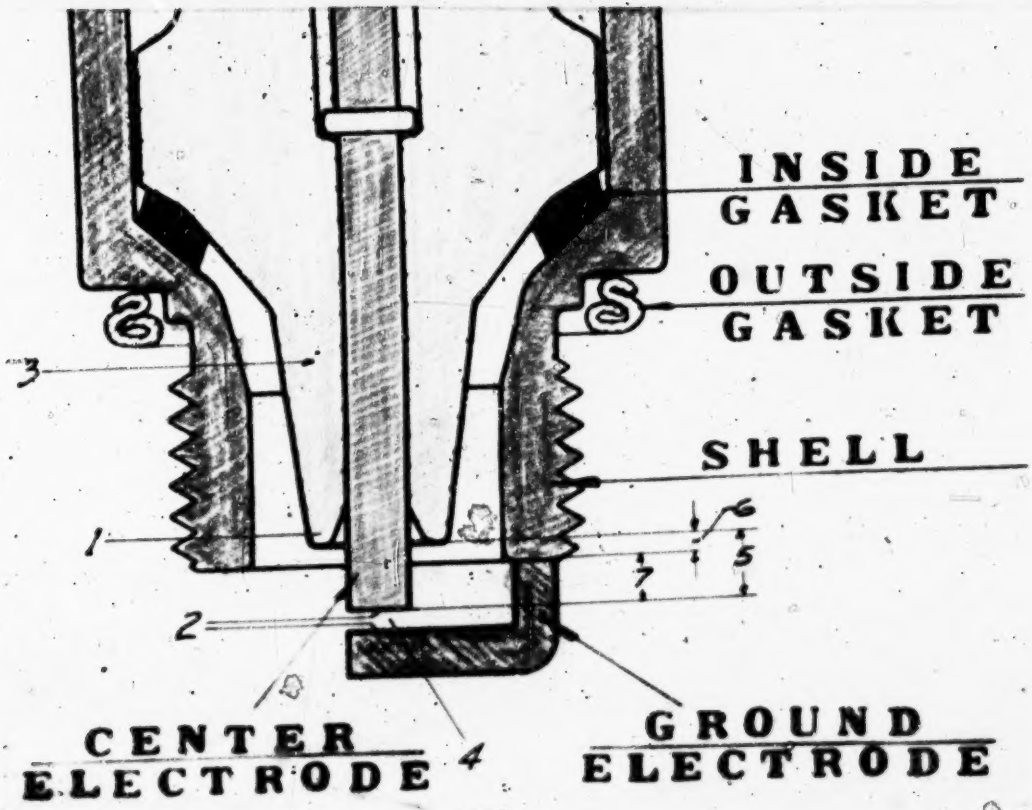
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PETITIONER'S REPLY BRIEF

I.

The basic thesis of respondents' brief seems to be that they are fighting to preserve *the right to tell the truth* about the spark plugs they sell, with the necessary implication that petitioner is endeavoring to deprive them of that right. Nothing could be farther from the fact. Neither in this case nor in any of the prior cases in which petitioner has been involved[1] has petitioner—or the Courts—

(1) *Champion Spark Plug Company vs. Euener*, [illegible] F. Supp. 816; *Same vs. Mosler*, 233 F. 112; *Same vs. Reich*, 121 F. (2d) 769.

questioned the right of a dealer in second-hand spark plugs to tell the truth about his merchandise. To the contrary, and specifically in the present case, petitioner *insists* that respondents tell the truth about the spark plugs which they sell. In fact, this cause is before this Court at petitioner's instance for the purpose of *compelling* respondents to do so in the future, because they deliberately have *refused* to do so in the past.

Nor is petitioner's insistence that respondents tell the truth about their merchandise occasioned alone by the pecuniary damage to which petitioner inevitably is subjected by an infringement of its trade-mark. It is necessitated also because of the deception to which the purchasing public is subjected by reason of respondents' deliberate concealment of the truth, with resulting damage to the reputation and good will of petitioner's spark plugs. Such concealment can be explained only by respondents' desire and intent to trade on and profit by the good will and reputation of petitioner, as distinguished from any good will or reputation of their own.

Respondents' brief, in addition to misstating the basic issue presented by this case, ignores the fact that they have been found guilty not only of trade-mark infringement, but of unfair competition as well, and have acquiesced in those findings.

It is elementary that it is unnecessary as a matter of law to prove actual palming off in order to establish unfair competition.[2] Respondents' brief erroneously seems to assume otherwise. The fact that one encourages others so to do, with resulting deception of the purchasing public, long

[2] Nims on Unfair Competition and Trade-Marks, 3rd Ed., Sections 9a and 360.

has been recognized to constitute unfair competition,[3] and where, as here, respondents have been found to be guilty of unfair competition because of deliberate concealment of the truth about their product it will be appreciated why petitioner insists that respondents be compelled to tell the truth. This also may suggest why respondents seek to avoid meeting the issue here presented by the familiar but usually unsuccessful tactics of assuming the role of the innocent and aggrieved party.

Respondents' plea of innocence is in conflict with the presumption of fraudulent intent which arises from the persistence of their infringing and unfair acts in disregard of repeated notices and requests to desist.[4]

The simple truth of the situation is as follows:

(1) The second-hand spark plugs which respondents sell were initially made and sold by petitioner under its trade-mark CHAMPION and appropriate type marks;

(2) After use these spark plugs, for one reason or another, have been discarded by their owners;

(3) The second-hand spark plugs sold by respondents have been repaired or rebuilt by them and, as marketed, have been so changed and altered in a number of functional and mechanical respects,

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[3] Respondents' own authority (*Durable Toy & Novelty Corp. vs. J. Chein Co.*, cited on page 48 of their brief) expressly so states. The following pertinent quotation from the opinion of this Court in the *Mishawaka* case is conveniently omitted from the matter quoted at page 48 of respondents' brief:

"The ordinary purchaser, having become familiar with the plaintiff's trade-mark, would naturally be led to believe that the heels marketed by the defendant were the product of the plaintiff company."

As early as 1877 this Court announced the principle which it repeated in the *Mishawaka* case. In *McLean vs. Fleming*, 96 U. S. 245, 251, it stated:

"Equity gives relief in such a case, upon the ground that one man is not allowed to offer his goods for sale, representing them to be the manufacture or another trader in the same commodity. Suppose the latter has obtained celebrity in his manufacture, he is entitled to all the advantages of that celebrity, whether resulting from the greater demand for his goods or from the higher price the public are willing to give for the article, rather than for the goods of the other manufacturer, whose reputation is not so high as a manufacturer."

[4] Nims, 3rd Edition, Sec. 361a.

since they were manufactured and sold by petitio , that they have ceased to respond to petitioner's manufacturing specifications and drawings, and cannot truthfully be referred to as CHAMPION plugs, nor as Champion plugs of the specific type numbers marked thereon, as those terms are used by petitioner and known to the motoring public. *These facts were specifically found by the Trial Court on substantial and uncontroverted evidence.* (See Findings 11 and 16. R. 523, 524.)

The foregoing enumerated facts tell *the entire truth* about the second-hand spark plugs which respondents sell. Petitioner insists that respondents tell the *entire* truth and not merely the small part thereof which is calculated to increase their sales by deceiving the motoring public.

Petitioner has never questioned the right of respondents to state that their repaired or rebuilt spark plugs originally were made by petitioner. Petitioner insists, however, that this may not be done by the use of petitioner's *trade-mark,* as distinguished from petitioner's name as the manufacturer or initial source of origin of the spark plugs offered for sale by respondents.

It is quite evident from the foregoing, and it long has been the law, most clearly and emphatically stated in the opinion of this Court in *Prestonettes vs. Coty,* 264 U. S. 359, that it is neither necessary nor permissible to use another's *trade-mark* truthfully to tell the origin of an altered article of commerce.

The rejected section of the Lanham Bill, repetitiously stressed by respondents' brief (e. g. pp, 32. *et seq.*), has no proper bearing on the question here presented, as consideration thereof will show. Obviously, there was no necessity for legislation to make effective a legal rule which has been so deeply rooted in jurisprudence for such a long period of time as is the doctrine reiterated by this Court

in *Prestonettes vs. Coty*. This is made perfectly clear by the opposition to Section 32 of the Lanham Bill by the Department of Justice—particularly in that portion thereof reproduced in italics on page 33 of respondents' brief. The Department of Justice stated:

> "* * * The standards of *present* law are met so long as sellers of second-hand or of replacement or repair parts *make clear the nature of the product they are selling and do not misrepresent its origin and the fact of repair or reconditioning if such has occurred.*"(5)

From this it will be seen that the Department of Justice recognized—and stated—that there was no necessity for Section 32 of the Lanham Bill because the standards of *present* law *require* the sellers of second-hand or of replacement or repair parts to make clear the nature of the product they are selling, *and will not permit* misrepresentation of origin *or concealment of the fact of repair or reconditioning* if such has occurred.

Because it now is an unquestionable rule of law that a trade-mark constitutes the manufacturer's *guarantee* of excellence, quality, precision and identity of product,(6) it necessarily follows that where, as here, the retention of a trade-mark on a second-hand article which has been altered by repair or reconstruction so that the mark deceives or is capable of deceiving purchasers into believing that the article is of the precision construction to which they have become accustomed by reason of the trade-mark, it is self evident that the truth cannot be told without the removal of the mark. In other words, the presence of the trade-mark on such an article *tells an untruth*, and the insistence, by anyone, on the retention of the mark on such an altered article can be based only on a deliberate purpose and intent to deceive.

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(5) All emphasis in quotations is added, unless otherwise indicated.

(6) *Infra*, pp. 13-14.

We know of no authority which supports respondents' statement of the law (e. g. brief p. 22) that it never has been required that trade-marks be removed by second-hand dealers. In support of this statement are cited eight decisions by the Federal Trade Commission. We urge the Court, if there is any doubt whatever on the subject, to read these cases, advanced as respondents' sole authority for their erroneous conception of the law. It will be seen that not one of them supports the proposition at all. The question of whether or not a dealer in second-hand goods could or could not retain the trade-mark on the goods when resold was not at issue, and was not considered, passed upon, or even referred to. However, in the cited case of *Racine Tire Sales Co.*, 5 F. T. C. D. 327, the respondent was required to cease marking its repaired or rebuilt tires with the name of "Racine Multi-Mile Cord," which theretofore had been used only by the original manufacturer of the tires; as well as to cease—

> "branding, marking, using or advertising • • • *any combination of words which would indicate to the public that the tires manufactured, repaired or sold are those manufactured by the Racine Tire Company.*".

From the foregoing it will be seen that respondents' argument that because petitioner objects to the use of its trade-mark and type marks on their altered spark plugs it is seeking to deprive them of *the right to tell the truth* regarding their product is contrary to the fact. Petitioner is here seeking to compel respondents to tell the *whole* truth about their product—without infringing petitioner's trade-mark—and not merely that part of the truth which will promote the sales of their second-hand spark plugs, with deliberate concealment of that part of the truth which, if told, would prevent them from trading on petitioner's

trade-mark and good will. As the familiar adage puts it: "He who tells but half the truth is a traitor to it."

II.

The next major contention of respondents is based upon an extraordinary interpretation of what the brief calls "public policy," and it may be summed up in the statement that respondents consider it to be opposed to public policy for them to be required to tell the whole truth. In other words, it is respondents' position that public policy not only condones but that it also necessitates misrepresentation to the purchasing public. Of course, such a position is untenable.

On page 14 of their brief respondents state—

> "The buying public was unwilling to buy a second-hand article without knowledge of the original manufacture."

While this statement was made in support of the contention that petitioner's trade-mark should be allowed to remain on the altered second-hand spark plugs, it obviously ignores the fact that the "original manufacture" could be made known to the public under the District Court's judgment by naming *petitioner* rather than petitioner's *trade-mark*. Our present purpose is to stress the fact that respondents here have recorded *their* view of what the buying public "was *unwilling*" to do.

Then, on page 30, the foregoing thought again is expressed, this time as an asserted "underlying motive" of petitioner for this suit, namely—

> "* * * to destroy its second-hand competition by reducing its used product from *a known plug, which can be sold* even though used and repaired, to *an unknown plug which cannot be sold.*"

From these two statements in respondents' brief it is now apparent that they admit that it is the good will and trade-mark of petitioner that are being traded upon.

If, as stated on page 3 of respondents' brief, there is a demand among consumers for respondents' altered plugs *for what they are*, there is nothing in the judgment of the District Court or here sought by petitioner that would prevent those customers from obtaining respondents' product. If they want *that* product they will buy it for what it *is* and not for what it *was*.

Finally, we come to the statement, found on page 38 of respondents' brief, whereby respondents attempt to explain why they deliberately conceal their connection with the sale of their altered, second-hand spark plugs. They say—

> "* * * The reason the name and address is not on the present packaging is, of course, that *certain* buyers prefer their packages that way, so that they can put their own name and address on the packages for resale."

From this it is clear that it is *petitioner's trade-mark* and *petitioner's good-will*, and not any reputation or good-will connected with respondents', spark plugs, that are relied and traded upon by respondents and their customers in the sale of their second-hand spark plugs, in complete disregard of the elementary principle of trade-mark law that ownership of a trade-mark commodity vests no title or interest in the trade-mark itself. Also it is made quite clear that respondents' entire operations, and the success thereof, are based on the retention of petitioner's trade-mark and type-marks and the concealment from the public of all the facts to which the public is entitled under all principles of honesty and fair dealing.

Additionally, the reason why or excuse for respondents concealing their connection with the sale of their second-hand spark plugs, now advanced by respondents' brief, finds no support whatever in the record. At the trial respondents offered *no* explanation or excuse for their

failure to indicate their connection with the second-hand spark plugs they sell. It is quite evident, therefore, that their present excuse or explanation is induced by a guilty conscience and a belated realization that *some* explanation is necessary, even one unwarranted by the record or by any provable facts.

It is quite obvious, therefore, that public policy neither necessitates nor condones the practices indulged in by respondents, nor does it justify a continuation of practices which must inevitably result in pecuniary damage to petitioner and continuing deception of the public.

Respondents' presentation of its argument on this point also includes a wholly erroneous conception and unwarranted comparison of the repair and replacement doctrines of patent law, on the one hand, and the long established doctrine of trade-mark law that ownership of a trade-marked article vests no title in the trade-mark. This has been held repeatedly by this Court (e. g. *Bourjois vs. Katzel*, 260 U. S. 689; *Old Dearborn Distributing Co. vs. Seagram-Distillers Corp.*, 299 U. S. 393), and although these decisions were discussed in petitioner's main brief (e. g. pp. 19, 20), no answer thereto, or even mention thereof, is made in respondents' brief.

If petitioner's spark plugs are patented petitioner's patents are not involved in this case. Therefore, repair and replacement of *patented* commodities or parts have nothing whatever to do with the issue presented here; this is not a patent case. On the contrary, this is a trade-mark case, and a trade-marked commodity—unlike a *patented* commodity—does not give its owner the right to alter the commodity *and resell it under the trade-mark*. Respondents' failure or refusal to recognize this simple proposition as a rule of trade-mark law, long established by this Court, is what has caused respondents' confusion in the treatment of this subject in their brief.

III.

Respondents' entire argument is based upon the theory, long since abandoned by the courts both in this country and in England, that the only function of a trade-mark is to disclose and identify the manufacturer of the article bearing it. They state (page 3):

> "Respondents claim that the District Court's erroneous decision, and the petitioner's entire position, is based on a fundamental misconception of the nature of a trade-mark, namely, that instead of indicating the original manufacturer, it designates the merchandise."

The history of the abandonment of this ancient theory of the function of a trade-mark in favor of the modern theory that it constitutes a guarantee of quality is reviewed in Section 3 of *Trade-Mark Protection and Unfair Trading* by Derenberg. After reviewing numerous cases and authorities, the author states (p. 38):

> "The old function of the mark is thus supplanted, if not actually replaced, by the modern guarantee and advertising function which manifests itself in the modern English legal phraseology:
> " 'The mark sells the goods.' "

In *Menendez vs. Holt*, 128 U. S. 514, cited in our main brief, the Holt firm for many years had used the trade-mark "La Favorita" on flour. In affirming an injunction against the use of the trade-mark by Menendez, the Court stated (p. 520):

> " * * * It was equivalent to the signature of Holt & Co. to a *certificate that the flour was the genuine article* which had been determined by them to possess a certain degree of excellence."

In the same case this Court condemned a practice similar to that authorized by the Court of Appeals in this case—that of accompanying the infringing mark with the name and address of respondents—stating (p. 521):

> "Holt & Co., then, having acquired the exclusive right to the words 'La Favorita,' as applied to this particular vendible commodity, it is no answer to their action to say that there was no invasion of that right because the name of S. O. Ryder accompanied the brand upon flour sold by appellants, instead of the name of Holt & Co. This is an *aggravation* and not a justification, for it is *openly trading in the name of another upon the reputation acquired by the device of the true proprietor.*"

Derenberg also points out (pp. 34-37) that it is not necessary to the protection of trade-marks that purchasers of the trade-marked product know the name of the manufacturer or the place of manufacture.

The latest work on *Unfair Competition and Trade-Marks,* by Callmann, contains a section under the title "Guarantee Function" in which the author states (p. 808, Section 65.2):

> "In this respect, the mark is the vendor's announcement that goods bearing the same trade-mark will be of the same nature, quality and characteristic. Thus, the function of indicating origin is *subordinated* to the function of giving 'the purchaser a satisfactory assurance of the make and quality of the article he is buying,' otherwise known as the *guarantee function.*"

Thus, the presence of petitioner's trade-mark on respondents' spark plugs constitutes a guarantee by petitioner that those spark plugs are of the same standard of quality—functional and mechanical features, workmanship and materials—as other spark plugs bearing the same trade-mark with which the purchasing public has become familiar.

IV.

Finally, it is not true, as repetitiously stated in respondents' brief (e. g. p. 31), that it is petitioner's motive

to eliminate the business of reconditioning spark plugs, nor is there any evidence in the case to support any such assertion. The record reference given for the assertion (fol. 1632) is to a statement contained in an *affidavit* of one of the respondents, executed *subsequent to the trial of the case* and in support of a motion for a new trial, which was denied. Moreover, the affidavit purports to quote from an answer given by petitioner's sales manager in another proceeding, the record of which is not in evidence in this case, and its purport is that petitioner has endeavored in every possible way "to stop this practice," obviously meaning thereby the practice indulged in by respondents and by the earlier defendants (Emener and Reich) which previously had been judicially enjoined.

It is believed, therefore, that public policy neither condones nor justifies the practices which have resulted in respondents being found guilty of unfair competition and trade-mark infringement, but it *does* require that respondents should be restrained from the continuation of such practices.

CONCLUSION

The judgment of the Court of Appeals below should be modified, and petitioner accorded the injunctive relief it here prays for, as particularized on page 42 of petitioner's main brief, as well as the accounting to which petitioner is entitled under the Trade-Mark Statute, but which was denied it by the Court of Appeals below.

Respectfully submitted,

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